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November 2014 Vol - 2 Issue- 11

CHALLENGES OF INFORMAL SLUM ECONOMY

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ABSTRACT

Informal sector units supply a considerable number of low-priced goods and provide jobs to people who otherwise, would swell the rank of the unemployed. The slum dwellers are mostly engaged in the informal sector instead of remaining openly unemployed. There is no doubt that a comparatively lower amount of capital is regained to create jobs in the informal sector than the formal sector. That leads a sizeable percentage of slum dwellers are entrepreneurs. The present study analyses the economic activities, the slum dweller entrepreneurs engage most. The study brings out significant social and economic aspects of the slum dweller entrepreneurs living in Bhubaneswar slums. The coverage of the study is Bhubaneswar city of Odisha. The study is based on primary data. Approximately 142 sample households selected for the study.

KEYWORDS: *Informal sector, slum, entrepreneur, poverty*

SECTION - I

Informal sector plays crucial role in employing a significant part of the economically active population of the Country. It nevertheless presents a challenge to the policy makers with regard to issues like improvement of working conditions and legal and social perfection of the persons employed in the informal sector.

Informal sector units supply a considerable number of low priced goods and provide jobs to people who otherwise, would swell the ranks of the unemployed. This kind of production and job creation is possible with low capital raised through the owner's funds. The role of informal sector plays a in terms of employment and

income cannot be substituted in the metropolitan economy (Romatat, 1983). Informal sector is the major source of livelihood to the migrants though it has several problems and limitations for its growth. Majority of migrant / slum dwellers are engaged in informal sector,

Informal sector emerging as an important source of labour absorption either because of the sluggish growth of the organized or formal sector or its low absorbing capacity. The employment structure of slum dweller is by and large dominated by informal activities. Majority of migrants / slum dwellers are engaged in general urban labour sector, petty trade, manufacturing, transport and other service sector.

In Odisha, the literature of slum and informal economy is very less. No serious study on slums economic culture has been undertaken and completed. The present study is different, here researcher has done in a micro level empirical analysis of the economic activities of slum dwellers. Particularly, it analyses different components of informal sector, the slum dwellers engage in order to the details of their economic conditions. This study deals with various issues such as (i) What are the informal economic activities, slum dweller entrepreneurs engage most? (ii) How they operate in their economic activities? (iii) Are they necessarily poor?

In view of the above issue raised, the main objectives of the study are: (i) To study various types economic activities undertaken by the slum dwellers entrepreneurs of Khorda district, Odisha and how they operate. (ii) To depict the socio-economic conditions of informal entrepreneurs in slums. (iii) To critically analyse the income/profit of their economic activities.

The study tests the following hypotheses.

(i) The performance of the small capitalist producers is higher than that of the

micro business and petty producers in the manufacturing sector of the informal sector, (ii) Among the various sector / sub-sectors, he income and turnover of the traders are high.

The study intends to focus of these issues in the following sections. In Section-II, methodology and coverage of study has been analysed. Section-III deals with trends of income, turnover of informal enterprise in slums. Section-IV elaborates results and Section-V recapitulates the concluding from the analysis carried out in the study.

SECTION-II

The geographical coverage of the main study is limited to the city – Bhubaneswar, Khorda district in Odisha. Ten slums were selected at random. At least, two slums have been surveyed in each direction, i.e. east, west, north and south Bhubaneswar. A sample of 142 slums dweller entrepreneur households was taken for the study, reflecting diverse economic activities like, manufacturing, trade, transport, service and other. The principle of statistical regularity has been used in which a large number of items were chosen at random from the population. Simple random sampling has been used to include every item of the population with an equal chance to avoid personal bias.

There was a pre-testing of the questionnaire in a pilot survey. Before the finalization of the sample size and the questionnaire schedule, a pre-testing was carried out in eight slums. The final design was arrived at after such pretesting. The questionnaire was to obtain detailed information about all members of households. The study is essentially primary data based. In certain cases, secondary sources have been resorted to primary data. Interviews at the respondents place were carried out in order to get the maximum real responses. To analyse

primary data, simple tabulary analysis based on percentage and average as well as econometric techniques such as t-test analysis, regression coefficient analysis used to study the factor determining informal slum economic status.

CONCEPTS

Informal enterprises:-

An enterprise is classified as informal if it meets any (or all) of the three criteria (a) the enterprise or any of its establishment employ less than 10 persons, or (b) the enterprise is not registered, (c) it does not maintain a complete account. **Micro Business:** Micro-business is defined as a unit/ establishment which is managed by only one man. That is, the total number of participants in the unit is only one person who is the owner/ entrepreneur. **Petty Producer:** Petty producer is the owner/entrepreneur who works along with paid/unpaid family labourers in the establishment, the total number of participants being 10 or less than 10. There are no wage labourers in the unit. **Small Capitalist Producer:** Small capitalist producer is the owner of the unit who employs workers but in small numbers. The total employees including owner-operator, paid or unpaid family labourers and wage workers are 10 or less than 10. (Samal, 1990)

Activities under different sectors:-

Manufacturing: Wooden Furniture making, Garage work, Workshop, Building Material, Basket Making, Tailoring, Shoe Shining, Flower Works, Pairs Plaster Making, Painting etc. **Trade:** Chat Stall, Hotel and small

restaurants, Betel shop, Fruit and vegetable venders, shoe stall, Grocery shop, Tea stall, Dry food stall, poly bag selling, Fish selling, old paper hawker etc. **Others (Construction) :** Cement and rod works, Pipe fitting etc. **Transport & Communications:** Rickshaw pulling, Auto driving, Trolley pulling. **Service & repair :** Laundry, Saloon, Garage , Bi-cycle repairing etc.

SECTION – III

The sample of respondents has been collected from five types of informal sectors. The sector has been classified as manufacturing, trade, transport, service and other. Again, manufacturing sector has been further classified into three groups as Micro Business, Petty Producers and Small Capitalists. Accordingly, the frequency distribution of the above cited categories and sub-categories has been presented in the following Table-1.1.

Table-1.1 Informal sector-wise distribution of sample respondents

Sector	Frequency	Percentage
Manufacturing	20	14.1
Micro Bussi	6	30.0
Petty Prod.	4	20.0
Small Capital	10	50.0
Trade	80	56.3
Transport	10	7.0
Service	30	21.1
Other	2	1.4
Total	142	100.0

Majority of slum dweller entrepreneurs are engaged in trade (56.3 percent), followed by service sectors (21.1 percent). In manufacturing about 50 percent are small capitalist followed by micro business 30 percent

Table-1.2: The trend of annual turnover per unit and per Entrepreneur's income per unit 2005 to 2011. (In rupees)

Group	Annual Turnover per unit			Entrepreneur's Income per Unit		
	2005	2008	2011	2005	2008	2011
Manufacturing	107000.00	121428.57	162560.00	38690	45920	63340.00
a) Micro Business	38040.68	47333.33	58333.33	20500.00	22400.00	32666.67
b) Petty Producer	80000.00	61500.00	64800.00	25700	29500.00	35000
c) Small Capitalist	140400.00	180400.00	229800.00	54800.00	66600.00	96800.00
Trade	156421.05	187090.91	225610.00	58789.47	614431.81	98789.47
Transport	52150.00	54000.00	59200.00	18000.00	7650.00	23600.00
Service	136666.67	154333.33	172666.67	73933.33	74666.66	86800.00
Other	150000.00	168000.00	156000.00	90000.00	84000.00	90400.00
Total	126817.54	145600.56	155207.33	58444.56	49349.70	61783.00

The average annual turnover per unit for the whole sample in 2011 is about Rs. 1.6 lakhs. Among the different subsectors, it is higher in trade at Rs.225610.00. In manufacturing, small capitalist group has maximum turnover of Rs. 229800.00. Every sector witnessed an increased trend of turnover from 2005 to 2011. In income criteria, also the performance of trade is better. In 2011, entrepreneur's income in trade is Rs. 98789.47, followed by other like annual turnover, income of small capitalist is also maximum, within the category of manufacturing i.e. Rs. 96800.00. There is also increasing trend of income among all the sectors.

SECTION – IV

In the following discussion, the adopted hypotheses may be tested. At the first instance, the cases of manufacturing sector have been considered. Accordingly, the variation in turnover and profit between small capitalists and micro business communities may be studied. Similar testing may be done between small capitalist and petty producers. At this stage, the paired t-test has been applied to such situations and the obtained results have been presented in the following Table 1.3.

Table 1.3: Mean, SD and t-values of turnover, profit of small capitalists, micro businessmen and petty producers.

	Turn over		Profit	
	Mean	SD	Mean	SD
Small capitalist (N=5)	229800.00	254.951	96800.00	362.917
Micro business (N=3)	58333.33	125.359	32666.67	229.181
t-value	1065.34*		270.61*	
Small capitalist (N=5)	229800.00	254.951	96800.00	362.917
Petty Producers (N=2)	64800.00	141.421	35000.00	318.772
t-value	833.38*		208.353*	

NB: * - Significant at 5% level ($P < 0.05$)

NS – Not Significant

In the above table 1.3, it may be observed that the mean turnover of small capitalist and micro business is 229800.00 and 58333.33 with standard deviation (SD) 254.951 and 125.359 respectively. The calculated t-value of mean turn over between these two communities is 1065.34 (DF=6) is significant at 5% level ($P < 0.05$). This

establishes the fact that the small capitalists have more turn over than micro businessmen. Further, the mean profits of small capitalist and micro business are 96800.00 and 32666.67 with standard deviation (SD) 362.917 and 229.181 respectively. The calculated t-value of mean profit between these two communities is 270.61

(DF=6) is significant at 5% level (P<0.05). Hence, there is difference in profit of these categories. The profit of small capitalist is more than that of micro business. Further, it may be observed that the mean turnover of small capitalist and petty producer is 229800.00 and 64800.00 with standard deviation (SD) 254.951 and 141.42 respectively. The calculated t-value of mean turnover between these two communities is 833.38 (DF=5) is significant at 5% level (P<0.05). This establishes the fact that the small capitalists have more turn over than petty producers. Further, mean profit of small capitalist and micro business is 96800.00 and 35000.00 with

standard deviation (SD) 362.917 and 318.722 respectively. The calculated t-value of mean profit between these two communities is 208.353 (DF=5) is significant at 5% level (P<0.05). Hence, there is difference in profit of these categories. In consideration of the overall performance, it may be seen that the small capitalist are better than other two. This is clear from the above discussion with regard to all six significant t-values. *By this, we may establish that the performance of small capitalist is higher than that of the micro business and petty producers in manufacturing sub-sector of the informal sector.*(Hypothesis)

Table-1.4: Mean SD and t-values of annual turnover and annual income of respondents of various sub-sectors of informal sector.

Group	Annual Turnover			Annual Income		
	Mean	SD	t-values with Traders	Mean	SD	t-values with Traders
Traders (N=80)	225610.00	19682.47		98789.47	8814.017	
Manufacturing (N=20)	162560.00	16937.056	9.289* (DF=48)	63340.00	5660.267	12.059* (DF=48)
a) Micro Business (N=6)	58333.33	4110.855	14.541* (DF=41)	32666.67	3008.770	12.811* (DF=41)
b) Petty Producer (N=4)	64800.00	9214.632	11.388* (DF=40)	35000.00	2303.658	10.107* (DF=40)
c) Small Capitalist (N=10)	229800.00	18329.615	0.452 ^{NS} (DF=43)	96800.00	9642.507	0.472 ^{NS} (DF=43)
Transport (N=10)	59200.00	7164.499	18.590* (DF=43)	23600.00	5896.050	18.465* (DF=43)
Service (N=30)	172666.67	13225.169	10.307* (DF=53)	86800.00	9331.180	4.423* (DF=53)
Other (N=2)	156000.00			90400.00		

NB: * - Significant at 5% level (P<0.05) NS – Not Significant

The above Table 1.4 demonstrates the mean annual turnover and annual income of respondents belonging to various sub-sectors and sectors of informal sector. It is intended to compare these two aspects of traders with those belonging to transport and service sector and sub-sectors of manufacturing. It is observed that the mean annual turnover and annual income of traders are 225610.00 and 98789.47 with standard deviations 19682.47 and 8814.017

respectively. The mean annual turnover and income of manufacturing is 162560.00 and 63340.00 with SD 16937.056 and 5660.267 respectively. The t-values against mean annual turnover and income are 9.289 and 12.059 respectively with DF=48 are significant at 5% level. This establishes the fact that the mean annual turnover and income of trade sector may be different and higher from those of manufacturing. Similarly, the mean annual

turnover and income of micro business is 58333.33 and 32666.67 with SD 4110.855 and 3008.770 respectively. The t-values against mean annual turnover and income are 14.541 and 12.811 respectively with DF=41 are significant at 5% level. This establishes the fact that the mean annual turnover and income of trade sector may be different and higher from those of micro business. Further, the mean annual turnover and income of petty producers is 64800.00 and 35000.00 with SD 9214.632 and 2303.658 respectively. The t-values against mean annual turnover and income are 11.388 and 10.107 respectively with DF=40 are significant at 5% level. This establishes the fact that the mean annual turnover and income of trade sector may be different and higher from those of petty producer. Similarly, the mean annual turnover and income of small capitalist is 229800.00 and 96800.00 with SD 18329.615 and 9642.507 respectively. The t-values against mean annual turnover and income are 0.452 and 0.472 respectively with DF=43 are not significant at 5% level. This establishes the fact that the mean annual turnover and income of trade sector may not be different from those of small capitalist. Further, the mean annual turnover and income of transport is 59200.00 and 23600.00 with SD 7164.499 and 5896.050 respectively. The t-values against mean annual turnover and income are 18.59 and 18.465 respectively with DF=43 are significant at 5% level. This establishes the fact that the mean annual turnover and income of trade sector may be different and more from those of transport. Similarly, the mean annual turnover and income of service is 172666.67 and 86800.00 with SD 13225.169 and 9331.180 respectively. The t-values against mean annual turnover and income are 10.307 and 4.423 respectively with DF=53 are significant at 5% level. This establishes the fact that the mean annual

turnover and income of trade sector may be different and higher from those of service. The overall result of this table says that there is difference and higher in *annual turnover and income of the traders from those of other sectors and sub-sectors except small capitalists.*(Hypothesis)

SECTION - V CONCLUSION

The present study aims at examining some of these issues. The empirical base of the study is of course, the informal economy of slum dweller in Bhubanewar in Odisha. But, we have drawn heavily on various other studies in India and abroad to place the findings of the study in a wider perspective. Annual turnover of trade sector is maximum followed by manufacturing and service sector. Among the manufacturing sector, the annual turnover of small capitalist is maximum followed by Petty producer's turnover. Service sector provides more employment opportunities in comparison to other sectors. The constraints in entrepreneurs expansion of business are primarily the problems that informal sector units are known to characteristically face in relation to the institutional environment. The empirical result shows that the performance of small capitalist is higher than that of the micro business and petty producer in manufacturing sector (hypothesis). It may be due to high investment (both fixed capital and working capital) and employment of skilled labour against the underemployment of family labour in petty production units or micro-business producer. On some counts, micro-businesses are also observed to be performing better than petty producers. Perhaps, there is some element of underemployment in production units due to the use of family labour. The second hypotheses is also proved i.e the annual income and annual turnover of the

traders are more than other sub sector like manufacturing, transportation, service and others barring small capitalist sub-sector in manufacturing. The size of the turnover, both per unit and per employee in trade is higher than other sectors. Assistance to the slum dwellers, without making any distinction between different categories of occupations, they are engaged, appears to be irrelevant. There is a need for bringing of distinction of different categories of occupations and sectors for having any policy to assist them. It is clear that in different occupations and different sector, problems are different. So uniform policy for informal sector is not desirable. In the background of employment generating capacity of informal sector with comparatively lower amount of capital per employee, support to informal sector seems justified for alleviating the problem of unemployment. Since it is not a homogeneous activity, policy approach should, therefore differ from sub-sector to sub-sector, from one group of participants to the other.

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